

VZCZCXYZ0018
RR RUEHWEB

DE RUEHRL #3355 3261705
ZNR UUUUU ZZH
R 221705Z NOV 06
FM AMEMBASSY BERLIN
TO RUEHC/SECSTATE WASHDC 6173
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUCNFRG/FRG COLLECTIVE

UNCLAS BERLIN 003355

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [GM](#)

SUBJECT: NEW-OLD BERLIN GOVERNMENT TO BE FORMED NOVEMBER
23; FINANCE AND EDUCATION PRIORITY TASKS

REF: BERLIN 2546

¶1. (U) After six weeks of negotiations followed by overwhelming endorsements at state-level party conventions, Berlin's Social Democrats (SPD) and Left Party.PDS (LP.PDS) have announced all the members of the new cabinet (Senat), which will be elected by the state parliament on November 23.

Despite flirting with the Greens, the SPD decided early to opt for a renewal of the coalition with the LP.PDS. Governing Mayor Wowereit will return to office and has also decided, in a move clearly reflecting personal preferences, to take on the cultural affairs portfolio. Left Party.PDS Deputy Mayor Harold Wolf returns to the cabinet as Senator (Minister) for Economic Affairs. In a surprise move, the SPD has recruited an Education Senator (Minister) from the West -- Juergen Zoellner, now Minister for Education in Rhineland-Palatinate (governed by SPD Chairman Kurt Beck) will take on the same portfolio in Berlin. The other members of the incoming cabinet are: Justice - Gisela von der Aue (SPD); City Development - Ingeborg Junge Reyer (SPD); Finance: Thilo Sarrazin (SPD); Interior - Erhart Koerting (SPD); Health and Environment - Katrin Lompscher (LP.PDS); and Social and Labor Affairs - Heidi Knake-Werner (LP.PDS).

¶2. (U) Zoellner's move to Berlin reflects one of the new governments priorities -- restructuring of Berlin's school system. Both parties would like to move towards more unified instruction in middle and secondary school, and Zoellner will oversee initial projects aimed at bringing all students into a unified system until 10th grade. The other great challenge for Berlin's government is financial: the city's debt stands at roughly 61 billion euros and continues to grow. The city lost a recent court case designed to force the federal government to increase its financial transfers to the city and the LP.PDS has taken a principled stand against privatization of the public housing stock -- one way German cities have eliminated their debts. Finance Senator Sarrazin is enjoying an unexpected rise in tax revenue, but city debt is an issue which could prove very difficult for the new government.

¶3. (U) Other priorities in the 88-page coalition agreement negotiated between the two parties include: Economic and labor market policy in which the government hopes to take an active hand in steering development and boosting public (or publicly subsidized) employment, especially for low-skill workers; and integration of minorities, with a particular focus on early education and language development. The draft budget included in the agreement forecasts a rise in city debt to 65 billion euros in 2010, though with a significant decrease in the rate of growth of new debt.

TIMKEN JR